

110TH CONGRESS  
1ST SESSION

# S. 335

To prohibit the Internal Revenue Service from using private debt collection companies, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 18, 2007

Mr. DORGAN (for himself, Mrs. MURRAY, Ms. MIKULSKI, Mr. AKAKA, Mr. LEAHY, Mr. LEVIN, Mr. KENNEDY, Ms. CANTWELL, Mr. ROCKEFELLER, Mr. KERRY, Mr. INOUE, Mr. CARDIN, Mrs. BOXER, Mr. LIEBERMAN, Mr. MENENDEZ, Mrs. FEINSTEIN, and Mr. LAUTENBERG) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To prohibit the Internal Revenue Service from using private debt collection companies, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. PROHIBITION ON USE BY INTERNAL REVENUE**

4                       **SERVICE OF PRIVATE DEBT COLLECTORS.**

5               (a) FINDINGS.—Congress finds the following:

6                       (1) The Internal Revenue Service announced  
7               plans to outsource part of its tax debt collection re-

1       sponsibilities to private debt collection companies be-  
2       ginning on September 7, 2006.

3           (2) The Internal Revenue Service intends to  
4       turn over confidential information involving over  
5       2,500,000 taxpayer accounts to 12 private compa-  
6       nies for debt collection purposes when its plan is  
7       fully implemented.

8           (3) Recent evidence continues to suggest that  
9       the Internal Revenue Service does not have adequate  
10      systems in place to ensure that taxpayer information  
11      shared with private debt collection companies is  
12      properly secured and that such information will not  
13      be accessible to those who would misuse such infor-  
14      mation.

15          (4) During the initial phase of its plan, the In-  
16      ternal Revenue Service has agreed to pay very large  
17      commissions of 21 to 24 percent of the amount of  
18      tax debt collected by 3 private debt collection compa-  
19      nies on cases that the Internal Revenue Service con-  
20      siders relatively simple.

21          (5) The Internal Revenue Service failed miser-  
22      ably when it attempted a similar tax debt collection  
23      privatization plan in 1996 and found that private  
24      debt collectors harassed many taxpayers, violated  
25      Federal debt collection laws, and did not properly se-

1        cure sensitive taxpayer information as required by  
2        law.

3            (6) The use of Internal Revenue Service em-  
4        ployees to collect tax debt would cost only 3 cents  
5        for every dollar collected while the use of private  
6        debt collectors would cost almost 25 cents for every  
7        dollar collected.

8            (7) The National Taxpayer Advocate, an inde-  
9        pendent voice in the Internal Revenue Service for  
10       taxpayers, has called for the immediate termination  
11       of the private debt collection program calling it an  
12       exercise in futility and vastly more expensive than  
13       the Internal Revenue Service ever imagined.

14           (8) The National Taxpayer Advocate has also  
15       warned Congress that private debt collection compa-  
16       nies operating under rules of profit maximization  
17       could have less incentive to provide important tax-  
18       payer rights training to their employees.

19           (9) The collection of tax revenue is a core func-  
20       tion of the Internal Revenue Service and appropriate  
21       Internal Revenue Service staffing should be assigned  
22       to this function to achieve debt collection objectives.

23           (10) Taxpayers trust the Internal Revenue  
24       Service to keep their tax return information con-  
25       fidential and expect that those who collect taxes are

1 not part of a money-making venture with profit mo-  
 2 tive as the overriding principle.

3 (11) The Taxpayer Advocacy Panel, a nation-  
 4 wide advisory group appointed by the Secretary of  
 5 the Treasury to improve the responsiveness of the  
 6 Internal Revenue Service to the needs of taxpayers,  
 7 has called on the Internal Revenue Service to aban-  
 8 don all plans to outsource any taxpayer debts and to  
 9 restrict collection activities to properly trained and  
 10 proficient Internal Revenue Service personnel.

11 (12) In June 2006, the United States House of  
 12 Representatives overwhelmingly passed a fiscal year  
 13 2007 spending bill funding the Internal Revenue  
 14 Service that included language prohibiting the Inter-  
 15 nal Revenue Service from using any of such funds  
 16 for its private tax debt collection initiative.

17 (13) A year-long Government Accountability  
 18 Office examination of the private debt collection pro-  
 19 gram issued in September 2006 found that, like the  
 20 1996 pilot, the program may actually lose money by  
 21 the scheduled conclusion of its initial phase in De-  
 22 cember 2007.

23 (b) PROHIBITION ON USE OF PRIVATE DEBT COL-  
 24 LECTORS.—Notwithstanding section 6306 of the Internal  
 25 Revenue Code of 1986, the Internal Revenue Service shall

1 suspend immediately and indefinitely the use of private  
2 debt collection companies, and no funds made available to  
3 the Internal Revenue Service for fiscal year 2007 and in  
4 any subsequent fiscal years shall be used to enter into,  
5 renew, extend, administer, implement, enforce, or provide  
6 oversight of any qualified tax collection contract (as de-  
7 fined in section 6306(b) of such Code).

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